



Quarterly Operating Report

Q3-22 (Oct-Dec 2021)



Market guidance update

FY-22 EBITDAF

Trustpower retains its expectation of FY-22 EBITDAF to be in the range of \$210-\$225 million (excluding the costs of selling the retail business of ~\$9 million). This estimate is made up of ~\$165 – \$175 million from continuing operations, and ~\$45 - \$50 million from discontinued operations (the Mass Market Retail business).

The forecast is underpinned by the following assumptions:

- Generation volumes for FY-22 now forecasted at ~1,771 GWh (incl. KCE).
- NZ Wholesale prices are in line with current forward pricing for the year.
- Average temperatures and average residential electricity consumption for the remainder of the year.
- Total average mass market customers of ~235,000, including ~116,000 telco customers.
- The retail business is retained for the full year. While we expect to sell the business before year-end, the exact date is currently unknown. The sale would reduce EBITDAF by approximately \$5m per month.

CAPEX

Trustpower expects its FY-22 capex to remain in the range of \$34m - \$44m. Unchanged from earlier guidance.

FY-23 Manawa Energy outlook

Trustpower has previously provided stand-alone pro-forma financial statements for Manawa Energy for FY-20 and FY-21 of \$156.6m and \$153.1m respectively. No guidance for FY-23 has been given at this time. If using the FY-22 expected EBITDAF from continuing operations when considering future Manawa Energy financial performance, the following factors should be considered in assessing future earnings:

- There are some one-off gains in FY-22 that are not expected to recur (e.g., carbon revenue as noted in the FY-21 half-year results \$6.1m (\$4.9m higher than pc)).
- Results from continuing operations in FY-22 are reported using an internal corporate methodology to assign corporate costs to each division while also there are some unallocated costs assigned to Corporate. This methodology has under-allocated corporate costs to our Generation division. The Manawa Energy business also expects some short-term transition/establishment costs as a result of the low-risk approach taken to separation, and some natural ongoing costs from reduction in scale particularly around access to shared resources and systems and to setup the business on a stand-alone basis.
- Despite low production volumes in FY-22 and an expectation that FY-23 volumes will return to more normal levels, wholesale electricity prices (which impact our unhedged length) are forecasted to be lower on average in FY-23, especially in the first half of the year.

Quarterly Insights

Forward wholesale pricing remains firm despite strong storage

National storage as of 31st December was 124% of the 10-year average, and 55% higher than the pcp. ASX future prices remained elevated, in line with last quarter with all three calendar year strips remaining above \$100 at Benmore.

Spot prices return to more normal levels

Weekly average spot prices have returned to more normal levels since September 2021, with Q3-22 GWAP of \$72 down 51% compared to the previous quarter. YTD GWAP remains 29% above the pcp.

Hydro volumes better than pcp

Hydro generation volumes were 3% higher than the pcp and are up 5% YTD compared to the same period last year.

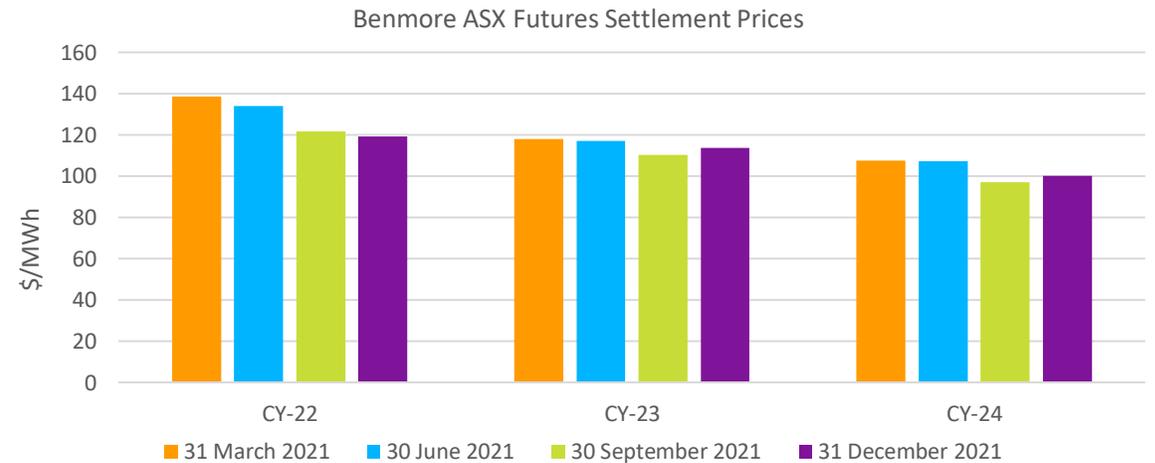
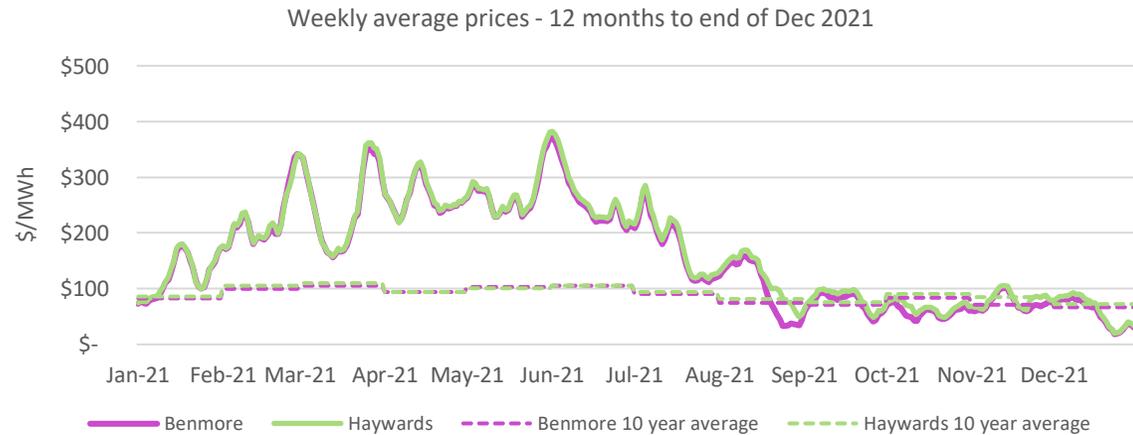
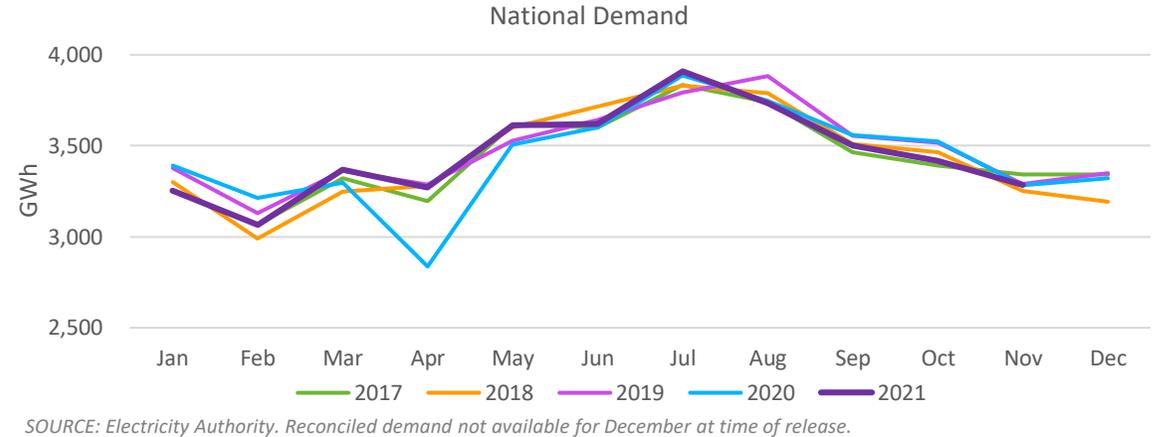
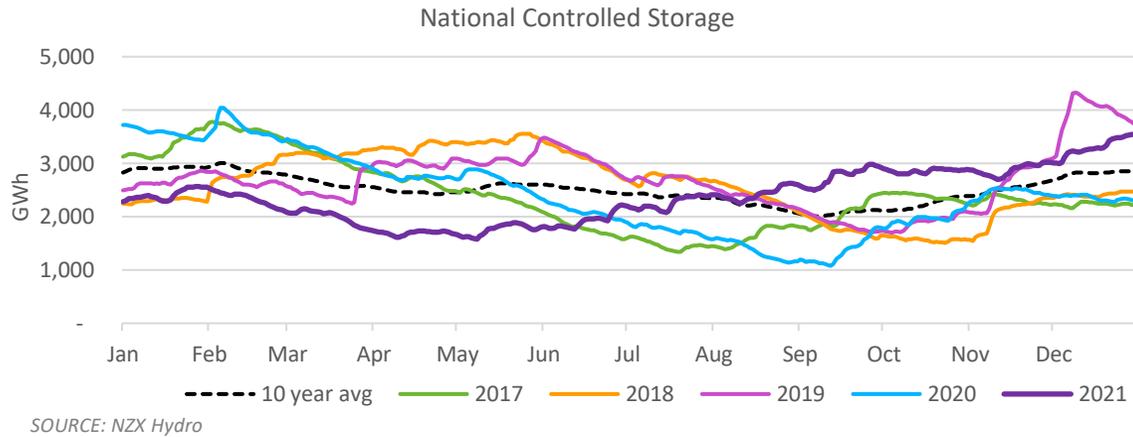
Retail growth steady

Retail continued to show steady momentum over the quarter despite the impact of COVID-19. Mobile connections continue to grow, as does fibre uptake and speed mix. 88% of new customers joining took more than one product, and telco connections have increased 6.5% year-on-year.

Customer churn remains at normalised levels, and we have seen a convergence of energy-only and telco-bundled churn over time. This is due to the average tenure of our remaining energy-only customers.

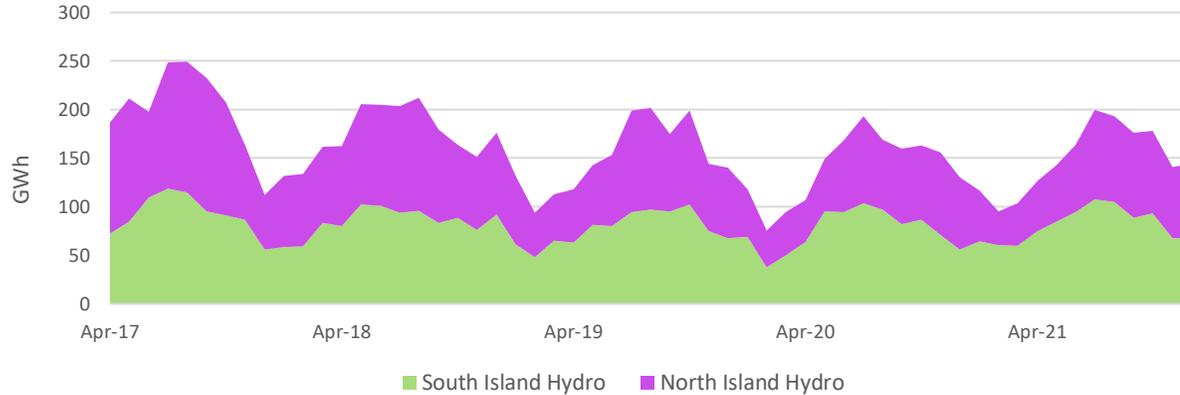
Data usage per customer rose almost 20% compared to the pcp, and over 28% overall. More than 84% of our broadband customers are now on fibre.

Wholesale electricity market

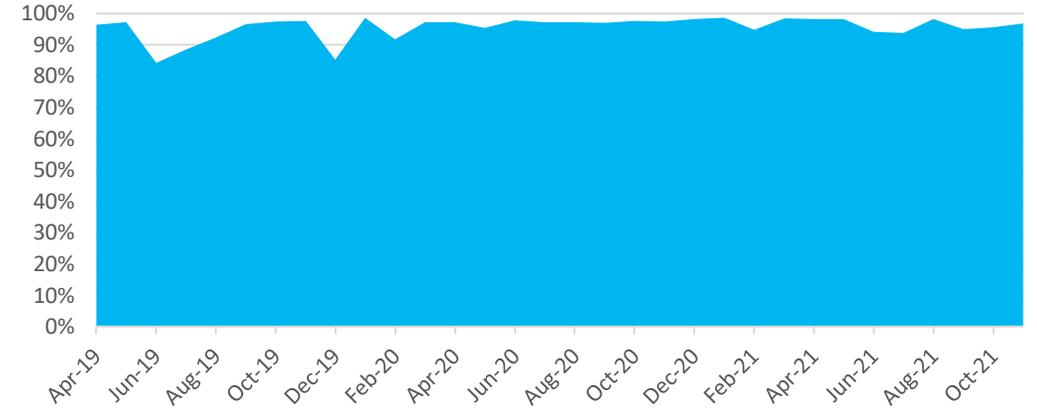


Generation

Monthly Generation Volumes



Percentage of Potential Revenue Achieved



**Q3-22
NI Generation**

↓ **1%**
vs pcp

**Q3-22
SI Generation**

↑ **7%**
vs pcp

Q3-22 GWAP/TWAP

NI **1.09**
SI **1.11**

\$76/MWh

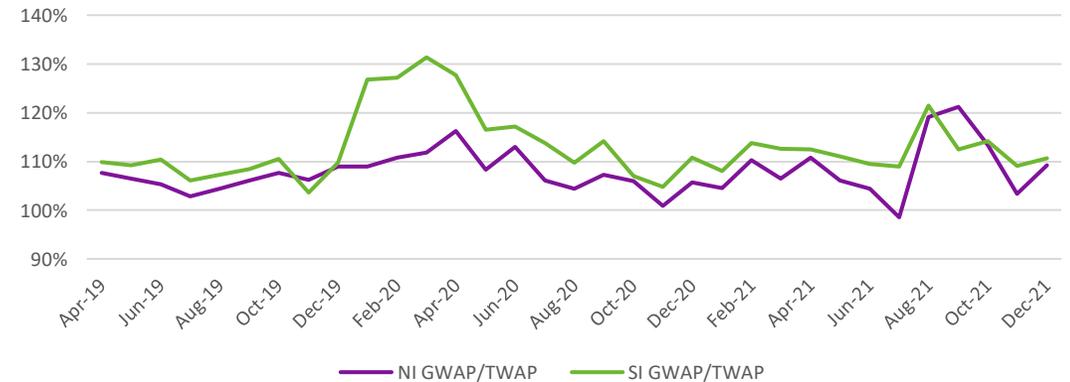
New Zealand Load Weighted Average Price (LWAP)

\$72/MWh

New Zealand Generation Weighted Average Price (GWAP)

NOTE: Q3 Prices

GWAP / TWAP

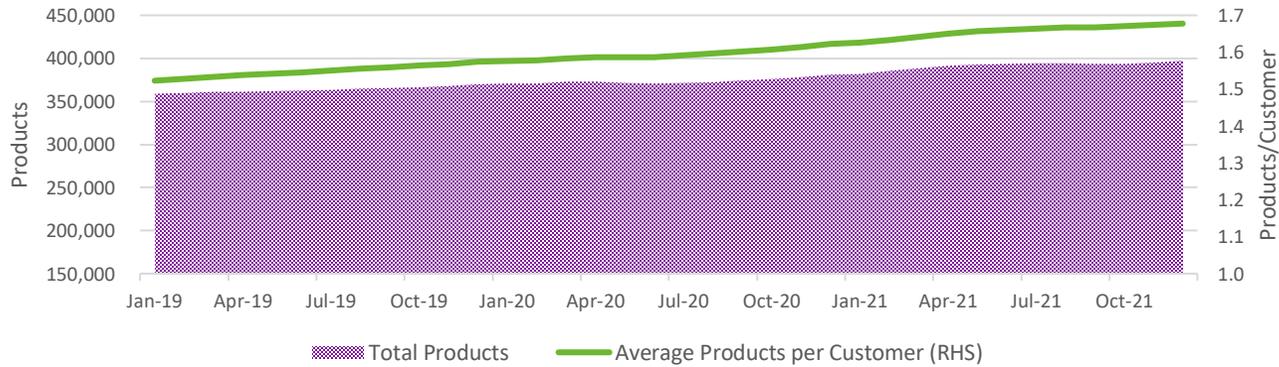


* See glossary for definitions

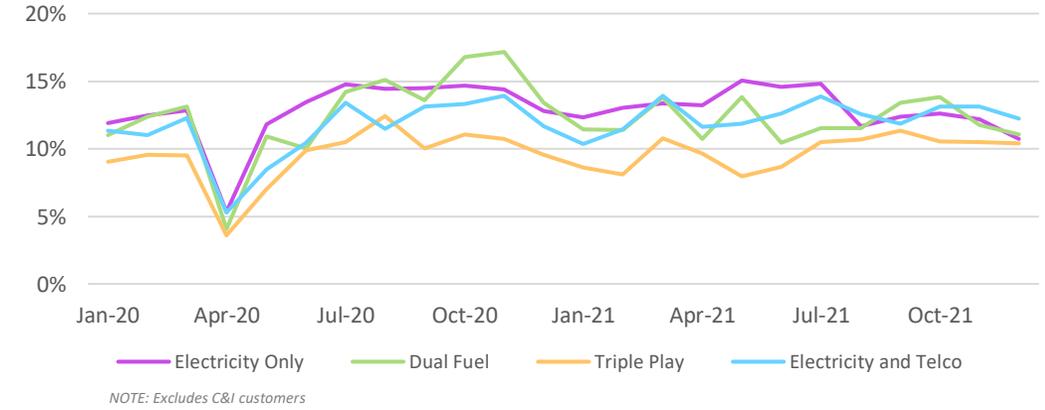


Retail

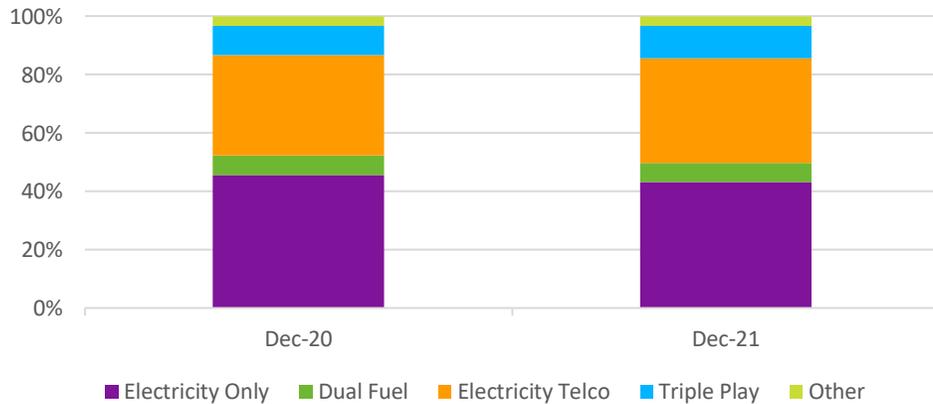
Average Products per Customer



Electricity Only vs Multi-Product Churn



Customer Mix



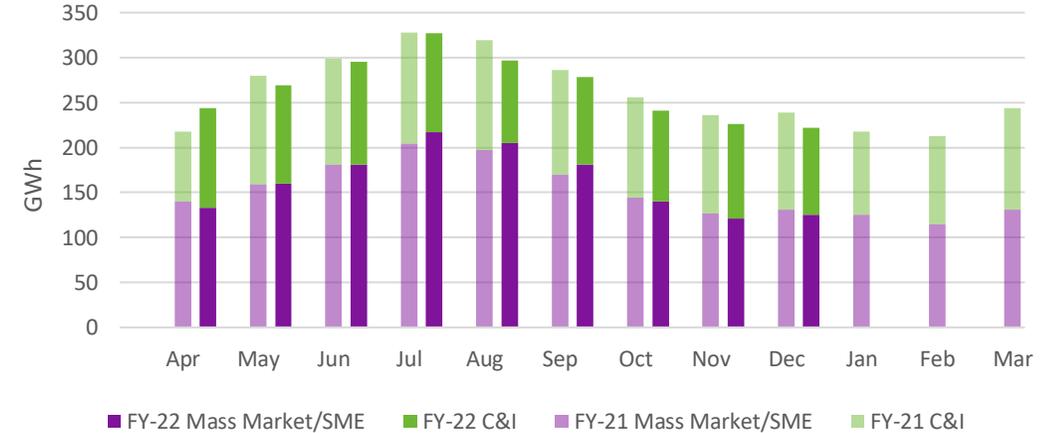
Q3-22 acquisitions
- 2+ products

88%

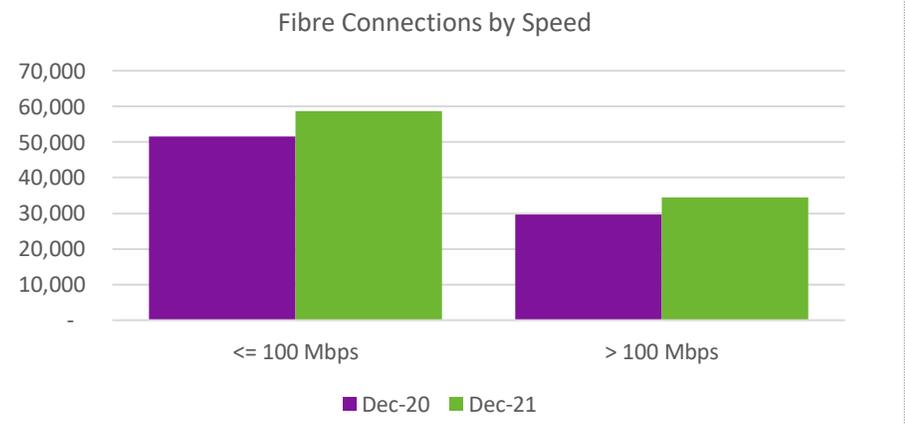
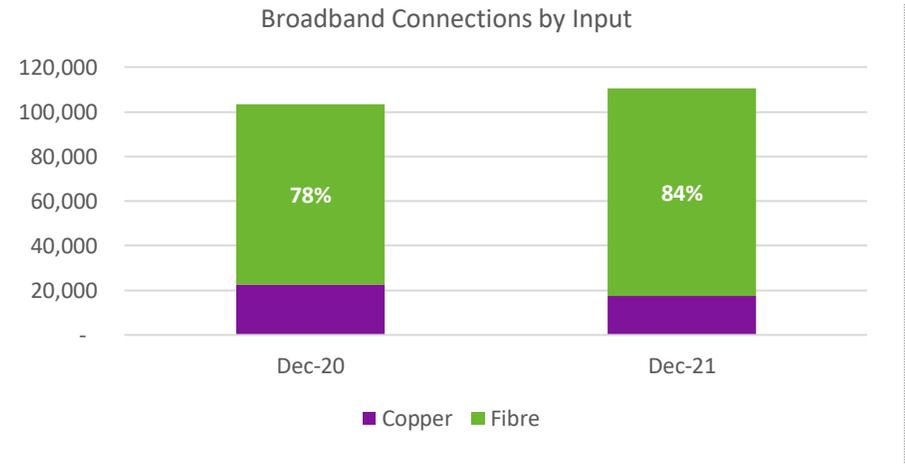
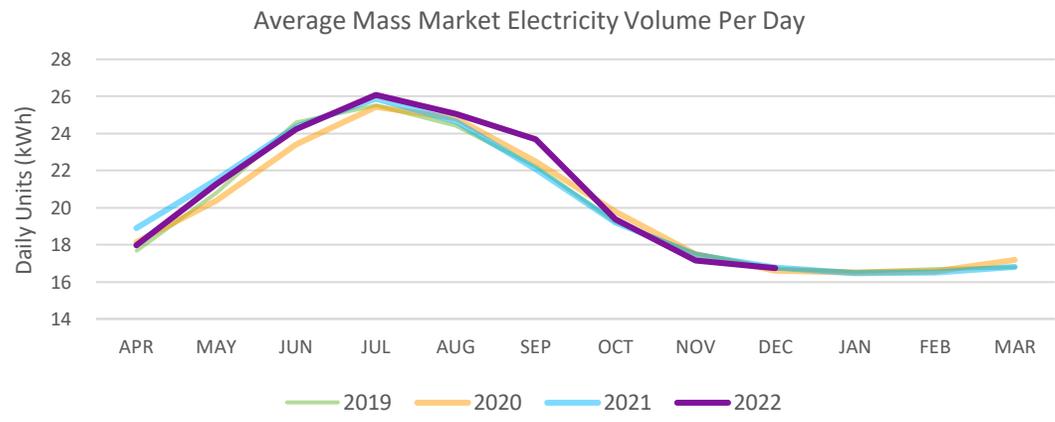
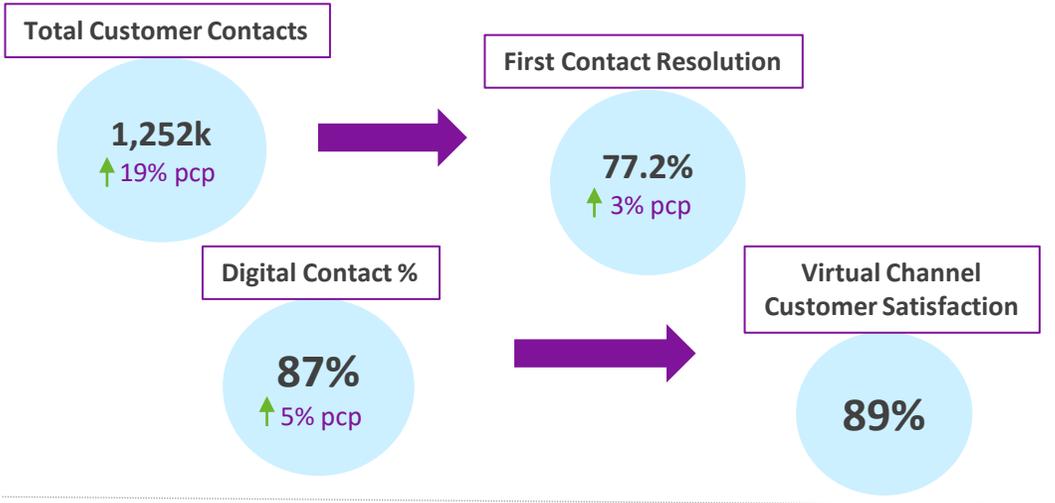
YoY customers
taking 2+
products

↑ 5.5%

Total Retail Sales Volumes



Retail



NZ UFB Market Share
7.6%
NOTE: At Sep-21

Total Data Usage (vs pcp)
↑ 28%

Total Data Usage per customer (vs pcp)
↑ 19%



Operating stats

	Q1 FY-20	Q1 FY-21	Q1 FY-22	Q2 FY-20	Q2 FY-21	Q2 FY-22	Q3 FY-20	Q3 FY-21	Q3 FY-22	Q4 FY-20	Q4 FY-21	Q4 FY-22
Customers, Sales and Service												
Electricity connections (000s)	266	264	265	266	263	264	266	264	265	266	265	
Telecommunication connections (000s)	98	104	114	100	106	114	103	108	115	104	112	
Gas connections (000s)	39	41	45	40	42	45	41	43	46	41	44	
Total utility accounts (000s)	403	409	424	406	411	423	410	415	426	411	421	
Customers with two or more services (000s)	109	115	125	111	117	125	114	120	127	116	123	
Mobile connections (000s)	-	-	9	-	1	10	-	4	11	-	6	
Mass market sales - Fixed Price (GWh)	453	480	474	572	571	603	421	402	387	371	371	
Time of use sales - Fixed Price (GWh)	210	113	104	208	137	102	223	125	104	185	108	
Time of use sales - Spot (GWh)	271	204	231	275	224	196	224	203	200	202	195	
Total customer sales (GWh)	934	797	809	1,055	932	901	868	730	691	758	674	
Average spot price of electricity purchased (\$/MWh)***	115	128	288	126	140	156	105	116	76	79	219	
Gas Sales (TJ)	266	301	297	370	408	492	196	183	260	154	147	
Annualised electricity ICP churn rate*	18%	13%	18%	18%	19%	16%	17%	18%	16%	16%	17%	
Annualised electricity ICP churn rate - total market*	20%	15%	21%	22%	22%	17%	19%	21%	18%	19%	20%	
Generation Production and Procurement												
North Island generation production (GWh)	189	171	179	289	240	267	238	236	235	132	130	
South Island generation production (GWh)	224	253	253	286	282	301	244	213	228	155	184	
Total New Zealand generation production (GWh)	413	424	432	575	521	568	483	449	462	287	314	
Average spot price of electricity generated (\$/MWh)***	110	130	287	122	139	148	103	112	72	79	218	
Net third party fixed price volume purchased (GWh)	393	244	244	387	243	222	346	223	219	386	249	
Other Information												
Resource consent non-compliance events**	6	1	1	3	2	2	6	6	2	6	1	
Recordable Injuries	-	-	1	2	3	2	1	-	1	-	2	
Staff numbers (full time equivalents)	779	806	790	812	813	766	814	816	789	809	801	

* Churn statistics are calculated using market data available up to November 2021.

** Events are recorded only when they have been confirmed as non-compliance events by the relevant regulatory authority. The number of historically reported non-compliant events are subject to change given timings in confirmation of non-compliance.

*** Provisional prices for August 9th have been used within calculations

Operating stats

	YTD FY-20	YTD FY-21	YTD FY-22	Full Year FY-20	Full Year FY-21	Full Year FY-22
Customers, Sales and Service						
Electricity connections (000s)	266	264	265	266	265	
Telecommunication connections (000s)	103	108	115	104	112	
Gas connections (000s)	41	43	46	41	44	
Total utility accounts	410	415	426	411	421	
Customers with two or more services (000s)	114	120	127	116	123	
Mobile connections (000s)	0	4	11	-	6	
Mass market sales - Fixed Price (GWh)	1,446	1,453	1,464	1,817	1,824	
Time of use sales - Fixed Price (GWh)	641	375	310	826	483	
Time of use sales - Spot (GWh)	770	631	627	972	826	
Total customer sales (GWh)	2,857	2,459	2,401	3,615	3,133	
Average spot price of electricity purchased (\$/MWh)	116	129	170	108	147	
Gas Sales (TJ)	832	892	1,049	986	1,039	
Annualised electricity ICP churn rate*	18%	17%	17%	17%	17%	
Annualised electricity ICP churn rate - total market*	21%	19%	19%	20%	19%	
Generation Production and Procurement						
North Island generation production (GWh)	717	646	680	849	777	
South Island generation production (GWh)	754	748	782	910	931	
Total New Zealand generation production (GWh)	1,471	1,394	1,462	1,759	1,708	
Average spot price of electricity generated (\$/MWh)	112	128	165	107	144	
Net third party fixed price volume purchased (GWh)	1,126	710	685	1,512	959	
Resource consent non-compliance events**	15	9	5	21	10	
Recordable Injuries	3	3	4	3	5	
Staff numbers (full time equivalents)	814	816	789	809	801	

* Churn statistics are calculated using market data available up to November 2021

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Glossary

Term	Definition
ACPU	Average Cost Per User. Direct costs (COS) only – does not include CTS
AMPU	Average Margin Per User – difference between ARPU and ACPU
ARPU	Average Revenue Per User. Includes acquisition capitalisation and amortisation
Asset Availability	Total hours asset(s) available or operating/Total hours in month. Excl planned outages.
Bundled Customer	Customer that has 2+ products with Trustpower
C&I	Commercial and Industrial customers
Customer Churn	The rate of attrition of customers expressed as an annualised percentage. Customer churn is only counted if we lose the customer (not individual products or moves).
Customer Contact	A channel-agnostic interaction with a customer
Digital Contact	% of customer interactions that are via digital channels. Note: prior to September 2019 Trustpower only reported digital contacts that it considered displaced a staffed contact. In line with industry practice we now report all digital contacts.
E-Bill	Receives their bill electronically rather than post

Term	Definition
EOM	End Of Month
First contact resolution (FCR)	Where the customer's reason for contacting is resolved at first point of contact. Does not count if they contact again within 14 days.
FTE	Full Time Equivalent
Gross Margin	Gross Revenue – Direct Cost of Sales
GWAP	Generation Weighted Average Price – Average revenue per unit reference to Benmore for South Island and Whakamaru for North Island
GWh	Gigawatt hour(s) – unit of energy
Input	Broadband connections segmented by delivery type
ISP	Internet Service Provider
KCE	King Country Energy
LY	Last year

Glossary

Term	Definition
LWAP	Load Weighted Average Price – Average cost of energy per unit for the retail business
Main lakes	Waipori, Cobb and Coleridge schemes.
Market Share	Total Trustpower fibre connections / total NZ fibre connections.
Mbps	Megabytes per second (measure of internet data transfer speed)
MM	Mass Market customers
MWh	Megawatt hour(s) – unit of energy
Netflix Ranking	Published monthly on ispspeedindex.netflix.com/country/new-zealand
NI	North Island
OPEX	Operating expenditure
Pcp	Prior corresponding period
Percentage of Potential Revenue Achieved	Total monthly Trustpower (excluding KCE) generation spot revenue less the value of lost market revenue due to outages, expressed as a percentage.
PoP	A physical location that houses telco equipment. (Point of Presence)

Term	Definition
Product	Electricity, Telco, Gas, or LPG. If one customer has multiple connections for a product, the product only counts once.
Recordable Injury	Lost Time and Medical Treatment Injuries
Rev	Revenue
SI	South Island
SME	Small-Medium Enterprise
Speed	Slower: <100 Mbps, Medium: 100 Mbps, Fast: >100 Mbps
TRIFR	Total Reportable Injury Frequency Rate. Measured per 200,000 hours.
TWAP	Time-Weighted Average Price
Var	Variance
Virtual Channel Customer Satisfaction	The satisfaction rating of digital channels that are non-staffed (including Bot, App and Virtual Agents)
YoY	Year-On-Year
YTD	Year-To-Date



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Q3-22

